

BELLE PLAINE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Belle Plaine Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2005 Election)		
Tom Danker	President	2006
Marie Stratford	Vice President	2006
Ted Novak	Board Member	2005
Mike Bachelder	Board Member	2005
Joyce Livermore	Board Member	2007
Board of Education		
(After September 2005 Election)		
Marie Stratford	President	2006
Tom Danker	Vice President	2006
Mitch Robinson	Board Member	2008
Mike Bachelder	Board Member	2008
Joyce Livermore	Board Member	2007
School Officials		
Mike Milligan	Superintendent	2006
Charmaine Wickwire	District Secretary/Treasurer and Business Manager	2006
Gruhn Law Office	Attorney	2006

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Belle Plaine Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Belle Plaine Community School District, Belle Plaine, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Belle Plaine Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2006 on our consideration of Belle Plaine Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Belle Plaine Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

October 18, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Belle Plaine Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,148,605 in fiscal 2005 to \$5,063,114 in fiscal 2006 while General Fund expenditures increased from \$5,097,954 in fiscal 2005 to \$5,284,949 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$273,470 in fiscal 2005 to a balance of \$30,635 in fiscal 2006, an 88.8% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state grant revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The decrease in revenues coupled with the increase in expenditures guaranteed the decline in General Fund balance.
- The District continues to reap the benefits of passing local option sales and service tax in Tama, Benton and Poweshiek Counties. This has allowed the Capital Projects fund balance to increase from \$268,836 in fiscal 2005 to \$485,189 in fiscal 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Belle Plaine Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Belle Plaine Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Belle Plaine Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Belle Plaine Community School District Annual Financial Report

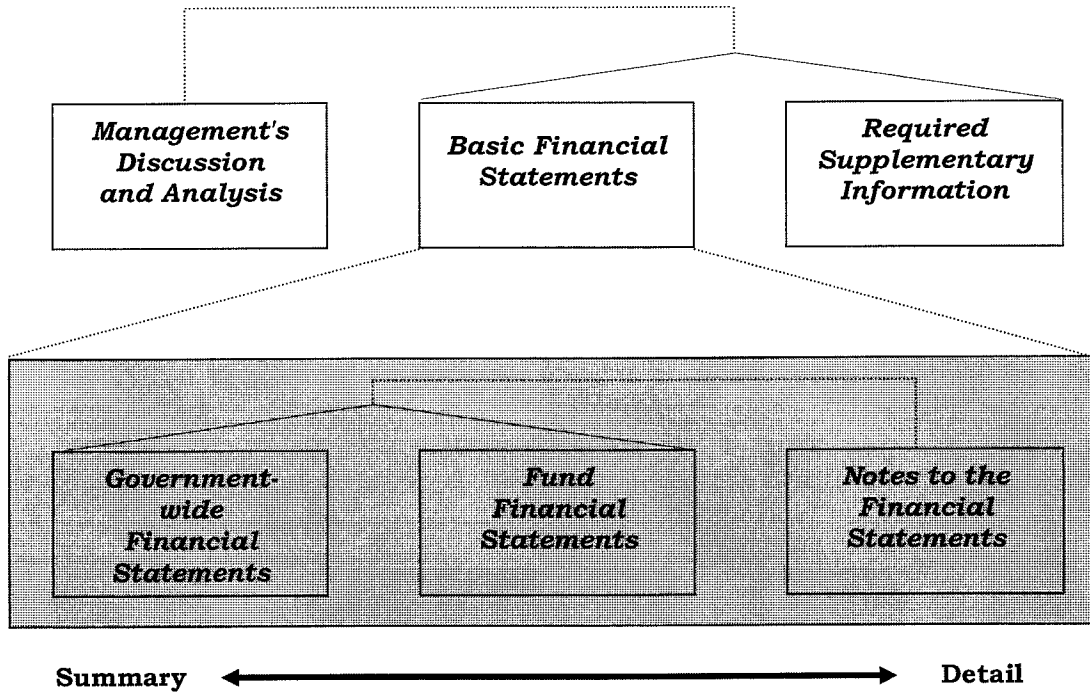


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006 as compared to year ended 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 2,796,669	2,756,005	19,096	10,271	2,815,765	2,766,276	1.79%
Capital assets	1,056,078	1,045,896	17,265	17,875	1,073,343	1,063,771	0.90%
Total assets	3,852,747	3,801,901	36,361	28,146	3,889,108	3,830,047	1.54%
Other liabilities	1,840,965	1,811,702	2,856	2,249	1,843,821	1,813,951	1.65%
Total liabilities	1,840,965	1,811,702	2,856	2,249	1,843,821	1,813,951	1.65%
Net assets:							
Invested in capital assets	1,056,078	1,045,896	17,265	17,875	1,073,343	1,063,771	0.90%
Restricted	794,226	543,549	0	0	794,226	543,549	46.12%
Unrestricted	161,478	400,754	16,240	8,022	177,718	408,776	-56.52%
Total net assets	\$ 2,011,782	1,990,199	33,505	25,897	2,045,287	2,016,096	1.45%

The District's combined net assets increased by 1.45%, or \$29,191, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 46.12%, or \$250,677, over the prior year. This was due to the increase in fund balance in the local option sales and service tax fund during the year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased 56.52%, or \$231,058, over the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 as compared to year ended June 30, 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 346,279	491,860	149,646	156,097	495,925	647,957	-23.46%
Operating grants and contributions and restricted interest	582,054	520,312	107,781	93,395	689,835	613,707	12.40%
General revenues:							
Property tax	1,930,929	1,895,438	0	0	1,930,929	1,895,438	1.87%
Local option sales and service tax	291,342	295,496	0	0	291,342	295,496	-1.41%
Unrestricted state grants	2,554,342	2,625,914	0	0	2,554,342	2,625,914	-2.73%
Other	81,397	8,503	60	36	81,457	8,539	853.94%
Total revenues	5,786,343	5,837,523	257,487	249,528	6,043,830	6,087,051	-0.71%
Program expenses:							
Governmental activities:							
Instructional	3,730,118	3,665,153	0	0	3,730,118	3,665,153	1.77%
Support services	1,715,765	1,421,131	0	0	1,715,765	1,421,131	20.73%
Non-instructional programs	0	0	271,877	278,164	271,877	278,164	-2.26%
Other expenses	297,877	266,592	0	0	297,877	266,592	11.74%
Total expenses	5,743,760	5,352,876	271,877	278,164	6,015,637	5,631,040	6.83%
Excess(deficiency) of revenues over(under) expenditures	42,583	484,647	(14,390)	(28,636)	28,193	456,011	-93.82%
Other financing sources(uses)							
Transfer in	0	0	21,000	20,099	21,000	20,099	4.48%
Transfer out	(21,000)	(20,099)	0	0	(21,000)	(20,099)	-4.48%
Contributed capital	0	0	998	0	998	0	100.00%
Total other financing sources(uses)	(21,000)	(20,099)	21,998	20,099	998	0	100.00%
Change in net assets	21,583	464,548	7,608	(8,537)	29,191	456,011	-93.60%
Net assets beginning of year	1,990,199	1,525,651	25,897	34,434	2,016,096	1,560,085	29.23%
Net assets end of year	\$ 2,011,782	1,990,199	33,505	25,897	2,045,287	2,016,096	1.45%

In fiscal 2006, property tax and unrestricted state grants account for 77.51% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.98% of the revenue from business type activities.

The District's total revenues were approximately \$6.05 million of which \$5.79 million was for governmental activities and less than \$0.26 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.71% decrease in revenues and a 6.83% increase in expenses. The increase in expenses was related to the increase in negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$5,786,343 and expenses were \$5,743,760. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,730,118	3,003,790
Support services	1,715,765	1,714,923
Other expenses	297,877	96,714
Totals	<u>\$ 5,743,760</u>	<u>4,815,427</u>

- The cost financed by users of the District's programs was \$346,279.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$582,054.
- The net cost of governmental activities was financed with \$1,930,929 in local tax, \$291,342 in local option sales and service tax, \$2,554,342 in unrestricted state grants, and \$19,322 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$257,487 and expenses were \$271,877. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Belle Plaine Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$811,580, compared to last year's ending fund balances of \$783,521.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors.
 - Expenditures in 2006 increased \$186,995 which is 3.67%. The District needed to use carryover balance to meet the District's financial obligations during the year.
- The Management fund balance increased from \$101,528 in 2005, to \$123,098 in 2006. Although revenues in this fund declined in comparison to the previous year, the decline in expenditures helped to ensure the increase in fund balance.

- The Capital Projects fund balance increased from \$268,836 to \$485,189, due to an increase in local option sales and service tax during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$25,897 at June 30, 2005 to \$33,505 at June 30, 2006, representing a increase of 29.38%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$186,900 less than budgeted revenues, a variance of 3.1%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$1,073,343, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.89% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$133,724.

The original cost of the District's capital assets was \$3,566,042. Governmental funds account for \$3,496,969 with the remainder of \$69,073 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$172,996 at June 30, 2006, compared to \$206,641 reported at June 30, 2005. This decrease resulted from depreciation expense taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 37,582	37,582	0	0	37,582	37,582	0.00%
Buildings	793,330	751,976	0	0	793,330	751,976	5.21%
Improvements other than buildings	69,435	67,572	0	0	69,435	67,572	2.68%
Machinery and equipment	155,731	188,766	17,265	17,875	172,996	206,641	-19.45%
Total	\$ 1,056,078	1,045,896	17,265	17,875	1,073,343	1,063,771	0.89%

Long-Term Debt

At June 30, 2006, the District had \$51,890 in long-term debt outstanding. This represents a increase of 100% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

During fiscal 2006, the District once again offered early retirement benefits to employees. As of year end, the District had \$17,762 in early retirement benefits to be paid.

Also during fiscal 2006, the District offered compensated absences to certain District employees for vacation days not used during the year. As of year end, the District had \$34,890 in compensated absences due to employees.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
Early retirement	\$ 17,762	0	100.0%
Compensated absences	34,128	0	100.0%
Totals	<u>\$ 51,890</u>	<u>0</u>	<u>100.0%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Charmaine Wickwire, District Board Secretary/Business Manager, Belle Plaine Community School District, 1303 2nd Avenue, Belle Plaine, Iowa, 52208.

BASIC FINANCIAL STATEMENTS

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 651,803	9,779	661,582
Receivables:			
Property tax:			
Delinquent	53,745	0	53,745
Succeeding year	1,694,536	0	1,694,536
Income surtax	196,014	0	196,014
Accounts	8,091	0	8,091
Due from other governments	192,480	0	192,480
Inventories	0	9,317	9,317
Capital assets, net of accumulated depreciation(Note 4)	1,056,078	17,265	1,073,343
TOTAL ASSETS	3,852,747	36,361	3,889,108
LIABILITIES			
Accounts payable	77,940	0	77,940
Salaries and benefits payable	12,311	0	12,311
Deferred revenue:			
Succeeding year property tax	1,694,536	0	1,694,536
Other	4,288	2,856	7,144
Long-term liabilities(Note 5):			
Portion due within one year:			
Early retirement	17,762	0	17,762
Compensated absences	34,128	0	34,128
TOTAL LIABILITIES	1,840,965	2,856	1,843,821
NET ASSETS			
Investment in capital assets	1,056,078	17,265	1,073,343
Restricted for:			
Early intervention	29,539	0	29,539
Salary improvement program	1,504	0	1,504
Management levy	105,336	0	105,336
Capital projects	485,189	0	485,189
Physical plant & equipment levy	88,404	0	88,404
Other special revenue purposes	84,254	0	84,254
Unrestricted	161,478	16,240	177,718
TOTAL NET ASSETS	\$ 2,011,782	33,505	2,045,287

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,562,400	175,646	335,392	(2,051,362)	0	(2,051,362)
Special instruction	671,141	0	33,206	(637,935)	0	(637,935)
Other instruction	496,577	170,633	11,451	(314,493)	0	(314,493)
	<u>3,730,118</u>	<u>346,279</u>	<u>380,049</u>	<u>(3,003,790)</u>	<u>0</u>	<u>(3,003,790)</u>
Support services:						
Student services	76,339	0	0	(76,339)	0	(76,339)
Instructional staff services	193,343	0	0	(193,343)	0	(193,343)
Administration services	734,321	0	0	(734,321)	0	(734,321)
Operation and maintenance of plant services	465,194	0	0	(465,194)	0	(465,194)
Transportation services	246,568	0	842	(245,726)	0	(245,726)
	<u>1,715,765</u>	<u>0</u>	<u>842</u>	<u>(1,714,923)</u>	<u>0</u>	<u>(1,714,923)</u>
Other expenditures:						
Facilities acquisitions	39,700	0	0	(39,700)	0	(39,700)
AEA flowthrough	201,163	0	201,163	0	0	0
Depreciation(unallocated)*	57,014	0	0	(57,014)	0	(57,014)
	<u>297,877</u>	<u>0</u>	<u>201,163</u>	<u>(96,714)</u>	<u>0</u>	<u>(96,714)</u>
Total governmental activities	5,743,760	346,279	582,054	(4,815,427)	0	(4,815,427)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	271,877	149,646	107,781	0	(14,450)	(14,450)
Total business-type activities	<u>271,877</u>	<u>149,646</u>	<u>107,781</u>	<u>0</u>	<u>(14,450)</u>	<u>(14,450)</u>
Total	<u>\$ 6,015,637</u>	<u>495,925</u>	<u>689,835</u>	<u>(4,815,427)</u>	<u>(14,450)</u>	<u>(4,829,877)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,828,176	0	1,828,176
Capital outlay				102,753	0	102,753
Local option sales and service tax				291,342	0	291,342
Unrestricted state grants				2,554,342	0	2,554,342
Unrestricted investment earnings				19,322	60	19,382
Other				62,075	0	62,075
Total general revenues				<u>4,858,010</u>	<u>60</u>	<u>4,858,070</u>
Changes in net assets before other financing sources(uses)				<u>42,583</u>	<u>(14,390)</u>	<u>28,193</u>
Other financing sources(uses)						
Transfer in				0	21,000	21,000
Transfer out				(21,000)	0	(21,000)
Capital contribution				0	998	998
Total other financing sources(uses)				<u>(21,000)</u>	<u>21,998</u>	<u>998</u>
Change in net assets				<u>21,583</u>	<u>7,608</u>	<u>29,191</u>
Net assets beginning of year				<u>1,990,199</u>	<u>25,897</u>	<u>2,016,096</u>
Net assets end of year				<u>\$ 2,011,782</u>	<u>33,505</u>	<u>2,045,287</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Manage- ment Levy	Physical Plant and Equipment Levy	Capital Projects	Student Activity	Total
ASSETS						
Cash and pooled investments	\$ 15,671	120,570	92,986	338,322	84,254	651,803
Receivables:						
Property tax						
Delinquent	48,666	2,528	2,551	0	0	53,745
Succeeding year	1,532,466	80,000	82,070	0	0	1,694,536
Income surtax	176,413	0	19,601	0	0	196,014
Accounts	8,091	0	0	0	0	8,091
Due from other governments	45,613	0	0	146,867	0	192,480
TOTAL ASSETS	\$ 1,826,920	203,098	197,208	485,189	84,254	2,796,669
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 70,807	0	7,133	0	0	77,940
Salaries and benefits payable	12,311	0	0	0	0	12,311
Deferred revenue:						
Succeeding year property tax	1,532,466	80,000	82,070	0	0	1,694,536
Income surtax	176,413	0	19,601	0	0	196,014
Other	4,288	0	0	0	0	4,288
Total liabilities	1,796,285	80,000	108,804	0	0	1,985,089
Fund balances:						
Reserved for:						
Early intervention	29,539	0	0	0	0	29,539
Salary improvement program	1,504	0	0	0	0	1,504
Unreserved:						
General	(408)	0	0	0	0	(408)
Management levy	0	123,098	0	0	0	123,098
Capital projects	0	0	0	485,189	0	485,189
Physical plant and equipment levy	0	0	88,404	0	0	88,404
Other special revenue	0	0	0	0	84,254	84,254
Total fund balances	30,635	123,098	88,404	485,189	84,254	811,580
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,826,920	203,098	197,208	485,189	84,254	2,796,669

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances of governmental funds(page 15)	\$ 811,580
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	1,056,078
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	196,014
Long-term liabilities, including early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(51,890)
Net assets of governmental activites(page 13)	<u>\$ 2,011,782</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Manage- ment Levy	Physical Plant and Equipment Levy	Capital Projects	Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 1,712,606	80,338	102,753	291,342	0	2,187,039
Tuition	128,317	0	0	0	0	128,317
Other	105,938	11,110	8,594	9,467	184,230	319,339
State sources	2,986,686	81	82	0	0	2,986,849
Federal sources	129,567	0	0	0	0	129,567
Total revenues	5,063,114	91,529	111,429	300,809	184,230	5,751,111
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	2,546,399	0	0	0	0	2,546,399
Special instruction	671,141	0	0	0	0	671,141
Other instruction	313,273	0	0	0	185,504	498,777
	3,530,813	0	0	0	185,504	3,716,317
Support services:						
Student services	79,791	0	0	0	0	79,791
Instructional staff services	170,979	0	0	0	0	170,979
Administration services	623,531	69,959	0	0	0	693,490
Operation and maintenance of plant services	460,220	0	11,807	0	0	472,027
Transportation services	218,452	0	0	9,902	0	228,354
	1,552,973	69,959	11,807	9,902	0	1,644,641
Other expenditures:						
Facilities acquisitions	0	0	65,377	74,554	0	139,931
AEA flowthrough	201,163	0	0	0	0	201,163
	201,163	0	65,377	74,554	0	341,094
Total expenditures	5,284,949	69,959	77,184	84,456	185,504	5,702,052
Excess(deficiency) of revenues over(under) expenditures	(221,835)	21,570	34,245	216,353	(1,274)	49,059
Other financing uses:						
Transfer out	(21,000)	0	0	0	0	(21,000)
Net change in fund balances	(242,835)	21,570	34,245	216,353	(1,274)	28,059
Fund balance beginning of year	273,470	101,528	54,159	268,836	85,528	783,521
Fund balance end of year	\$ 30,635	123,098	88,404	485,189	84,254	811,580

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ 28,059

***Amounts reported for governmental activities in the
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 142,298	
Depreciation expense	<u>(132,116)</u>	10,182

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	\$ (17,762)	
Compensated absences	<u>(34,128)</u>	(51,890)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		<u>35,232</u>
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Changes in net assets of governmental activities (page 14)	\$	<u><u>21,583</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 9,779
Inventories	9,317
Capital assets, net of accumulated depreciation (Note 4)	<u>17,265</u>
TOTAL ASSETS	<u>36,361</u>
LIABILITIES	
Deferred revenues	<u>2,856</u>
TOTAL LIABILITIES	<u>2,856</u>
NET ASSETS	
Invested in capital assets, net of related debt	17,265
Unrestricted	<u>16,240</u>
TOTAL NET ASSETS	<u><u>\$ 33,505</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Charges for service	<u>\$ 149,646</u>
OPERATING EXPENSES:	
Food service operations:	
Salaries	112,819
Benefits	20,250
Services	1,132
Supplies	136,068
Depreciation	1,608
TOTAL OPERATING EXPENSES	<u>271,877</u>
OPERATING LOSS	<u>(122,231)</u>
NON-OPERATING REVENUES:	
Interest	60
State sources	3,245
Federal sources	104,536
TOTAL NON-OPERATING REVENUES	<u>107,841</u>
Net loss before other financing sources	<u>(14,390)</u>
OTHER FINANCING SOURCES:	
Transfers in	21,000
Capital contribution	998
TOTAL OTHER FINANCING SOURCES	<u>21,998</u>
Change in net assets	7,608
Net assets beginning of year	<u>25,897</u>
Net assets end of year	<u><u>\$ 33,505</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 149,347
Cash received from miscellaneous operating activities	1,060
Cash payments to employees for services	(133,175)
Cash payments to suppliers for goods or services	(118,562)
Net cash used in operating activities	<u>(101,330)</u>
Cash flows from non-capital financing activities:	
Transfer from General	21,000
State grants received	3,245
Federal grants received	84,741
Net cash provided by non-capital financing activities	<u>108,986</u>
Cash flows from investing activities:	
Interest on investments	<u>60</u>
Net increase in cash and cash equivalents	7,716
Cash and cash equivalents at beginning of year	<u>2,063</u>
Cash and cash equivalents at end of year	<u>\$ 9,779</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (122,231)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	19,795
Depreciation	1,608
Increase in inventories	(1,109)
Decrease in accounts payable	(48)
Decrease in salaries and benefits payable	(106)
Increase in deferred revenue	761
Net cash used in operating activities	<u>\$ (101,330)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 9,779</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$19,795.

During the year ended June 30, 2006, the Nutrition Fund received capital contributions from the General Fund of \$998.

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Belle Plaine Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Belle Plaine, Iowa, and the predominate agricultural territory in Poweshiek, Benton, Iowa and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Belle Plaine Community School District has included all funds, organizations, Account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Belle Plaine Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Poweshiek, Benton, Iowa and Tama County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Fund is utilized to account for the District's early retirement benefits, workmen's comprehensive claims, and payments for the District's property insurance.

The Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Student Activity Fund is utilized to account for all the extra curricular and cocurricular student activities that are taking place in the District.

The District reports the following proprietary fund:

The District's proprietary funds is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on

January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, no disbursements exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments as of June 30, 2006.

(3) Interfund Transfers

The detail of the interfund transfer for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Nutrition	General	\$ 21,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 37,582	0	0	37,582
Total capital assets not being depreciated	37,582	0	0	37,582
Capital assets being depreciated:				
Buildings	2,070,738	92,043	0	2,162,781
Land improvements	140,729	8,188	0	148,917
Machinery and equipment	1,105,622	42,067	0	1,147,689
Total capital assets being depreciated	3,317,089	142,298	0	3,459,387
Less accumulated depreciation for:				
Buildings	1,318,762	50,689	0	1,369,451
Land improvements	73,157	6,325	0	79,482
Machinery and equipment	916,856	75,102	0	991,958
Total accumulated depreciation	2,308,775	132,116	0	2,440,891
Total capital assets being depreciated, net	1,008,314	10,182	0	1,018,496
Governmental activities capital assets, net	\$ 1,045,896	10,182	0	1,056,078

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 72,341	998	4,266	69,073
Less accumulated depreciation	54,466	1,608	4,266	51,808
Business-type activities capital assets, net	\$ 17,875	610	0	17,265

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 6,355
Other	3,016
Support services:	
Student services	1,163
Instructional staff services	22,364
Administration services	4,162
Operation and maintenance of plant services	11,848
Transportation	26,194
	<hr/> 75,102
Unallocated depreciation	57,014
	<hr/>
Total governmental activities depreciation expense	<u>\$ 132,116</u>
Business-type activities:	
Food services	<u>\$ 1,608</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early retirement	\$ 0	17,762	0	17,762	17,762
Accrued compensated absences	0	34,128	0	34,128	34,128
Total	<u>\$ 0</u>	<u>51,890</u>	<u>0</u>	<u>51,890</u>	<u>51,890</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. For the year ended June 30, 2006, there were no expenditures for early retirement.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$211,175, \$205,348, and \$196,951 respectively, equal to the required contributions for each year.

(7) Risk Management

Belle Plaine Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$201,163 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Deficit Fund Balances

As of the year ended June 30, 2006, the General Fund had an unreserved deficit fund balance of \$408.

REQUIRED SUPPLEMENTARY INFORMATION

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental		Proprietary		Final to	
	Fund Types	Fund Type	Total	Budgeted Amounts		Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 2,634,695	149,706	2,784,401	2,790,499	2,790,499	(6,098)
State sources	2,986,849	3,245	2,990,094	3,139,999	3,139,999	(149,905)
Federal sources	129,567	104,536	234,103	265,000	265,000	(30,897)
Total revenues	5,751,111	257,487	6,008,598	6,195,498	6,195,498	(186,900)
Expenditures:						
Instruction	3,716,317	0	3,716,317	4,294,541	4,294,541	578,224
Support services	1,644,641	0	1,644,641	1,730,000	1,730,000	85,359
Non-instructional programs	0	271,877	271,877	343,639	343,639	71,762
Other expenditures	341,094	0	341,094	816,735	816,735	475,641
Total expenditures	5,702,052	271,877	5,973,929	7,184,915	7,184,915	1,210,986
Excess(deficiency) of revenues over(under) expenditures	49,059	(14,390)	34,669	(989,417)	(989,417)	1,024,086
Other financing sources, net	(21,000)	21,998	998	35,000	35,000	70,998
Excess(deficiency) of revenues and other financing sources over(under) expenditures	28,059	7,608	35,667	(954,417)	(954,417)	1,095,084
Balance beginning of year	783,521	25,897	809,418	670,984	670,984	138,434
Balance end of year	\$ 811,580	33,505	845,085	(283,433)	(283,433)	1,233,518

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
School play	\$ 495	0	411	84
Speech	32	0	32	0
Vocal	116	0	116	0
Band	(59)	176	93	24
Activities	1,716	38,003	34,975	4,744
Girls track	2,782	5,522	7,085	1,219
Boys track	1,325	2,129	2,050	1,404
Boys cross country	358	286	339	305
Girls cross country	393	283	310	366
Boys/girls golf	621	2,015	1,129	1,507
Boys basketball	4,044	1,742	3,113	2,673
Girls basketball	339	1,566	735	1,170
Football	1,567	5,647	6,918	296
Baseball	2,047	2,797	2,779	2,065
Wrestling	12	121	69	64
Volleyball	1,046	1,455	1,389	1,112
Softball	658	1,574	922	1,310
K-8 art club	330	903	1,096	137
Science club	559	135	149	545
HS student council	5,708	5,728	5,417	6,019
Annual	86	13,960	10,954	3,092
Close up	10,763	31,653	30,053	12,363
Peer helpers	149	0	0	149
Spanish club	3,094	721	2,542	1,273
Cheerleading	1,940	2,676	3,942	674
FFA	18,358	18,528	19,959	16,927
Win with fitness	198	0	157	41
Belle Plaine S.A.D.D.	435	0	0	435
Dance/drill team	684	323	370	637
Job olympics	21	0	0	21
JH student council	6,431	14,630	13,729	7,332
Camp courageous	1,114	2,602	1,820	1,896
6th grade	5,996	8,615	9,468	5,143
Elementary student council	3,582	4,245	3,763	4,064
J.H./Elem Drama	0	350	309	41
Class of 04	1,483	0	1,483	0
Class of 05	(22)	2,251	2,229	0
Class of 07	2,670	1,097	2,662	1,105
Class of 08	962	731	279	1,414
Class of 09	1,588	1,218	2,030	776
Activity ticket	471	7,772	8,081	162
Projects	264	1,390	0	1,654
Playground equipment	11	0	0	11
Interest	1,161	1,386	2,547	0
Total	\$ 85,528	184,230	185,504	84,254

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$	2,187,039	2,197,074	1,913,270	1,753,088
Tuition		128,317	263,300	187,117	156,689
Other		319,339	237,063	266,261	263,428
State sources		2,986,849	3,019,856	2,948,051	3,135,665
Federal sources		129,567	126,370	119,061	122,983
Total		\$ 5,751,111	5,843,663	5,433,760	5,431,853
Expenditures:					
Instruction:					
Regular instruction	\$	2,546,399	2,496,924	2,462,224	2,397,684
Special instruction		671,141	675,667	744,499	655,026
Other instruction		498,777	489,880	431,840	427,288
Support services:					
Student services		79,791	92,382	92,838	93,782
Instructional staff services		170,979	108,201	101,460	103,931
Administration services		693,490	662,511	652,031	553,437
Operation and maintenance of plant services		472,027	493,409	436,307	423,422
Transportation services		228,354	208,482	169,826	155,836
Other expenditures:					
Facilities acquisitions		139,931	51,903	134,568	50,830
AEA flow-through		201,163	201,940	205,191	221,230
Total		\$ 5,702,052	5,481,299	5,430,784	5,082,466

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Belle Plaine Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Belle Plaine Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 18, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Belle Plaine Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Belle Plaine Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Belle Plaine Community School District and other parties to Belle Plaine Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Belle Plaine Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

October 18, 2006

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006, did not exceed the amount budgeted.

II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jodi Bermel, Principal Owns Subway	Supplies	\$982

In accordance with Attorney General Opinion dated July 2, 1990, the transaction with the employee does not appear to be a conflict of interest.

II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-06 Financial Condition - As of June 30, 2006, the General Fund had an unreserved fund balance of a deficit \$408.

Recommendation - The District should monitor these funds and investigate alternatives to eliminate these deficits.

Response - We will monitor this fund to eliminate the deficit.

Conclusion - Response accepted.

II-K-06 Notice of Public Hearing for Public Improvement - The District did not conduct a public hearing on the roofing project required by Chapter 73A.2 of the Code of Iowa.

Recommendation - The District should be aware that projects that are required to be bid and which a public hearing is required, if contested by public, has to be removed at the vendors cost. Vendors should be aware of the need for public hearing if they are working with schools, and would be responsible at their expense for removing the improvement. Before entering into any contract for public improvements where the net cost is \$25,000 or more, the District is required to hold a public hearing.

Response - We will conduct hearings when required for projects in the future.

Conclusion - Response accepted.